

SENATE BILL REPORT

SB 5789

As of February 19, 2007

Title: An act relating to changing insurance requirements for small employers.

Brief Description: Changing insurance requirements for small employers.

Sponsors: Senators Parlette, Haugen, Pflug, Rockefeller, Carrell, Kastama, Rasmussen, Schoesler, Berkey, Hewitt, Brandland, Morton, Swecker, Stevens, Clements, Benton, Sheldon, Holmquist, Shin and Roach.

Brief History:

Committee Activity: Health & Long-Term Care: 2/15/07.

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Staff: Mich'l Needham (786-7442)

Background: The 2006 Legislature created a program within the Health Care Authority known as the Small Employer Health Insurance Partnership Program (SEHIP) to provide premium assistance to low-income employees of small employers. Beginning July 1, 2007, premium subsidies may become available to eligible employees if the benefit package offered by the small employer is actuarially equivalent to that of the Basic Health program, as certified by the Office of Insurance Commissioner. Employers are required to pay at least 40 percent of the monthly premium cost, and the employee's premium obligation will be subsidized with a subsidy similar to the Basic Health subsidy scale.

Insurance carriers may offer a limited benefit package to small employers, defined as two to 50 employees. The limited plan must provide coverage for hospital expenses and physician services, but may exclude some requirements including: anti-discrimination requirements for chiropractic services, optometry services, services of nurse, psychological services, and dental services; requirements for chemical dependency, mammograms, reconstructive breast surgery, mastectomy or lumpectomy, PKU formulas, neurodevelopmental therapies, coordination of benefits, and continuation options; and requirements to offer coverage for mental health, home health care or hospice, prenatal diagnoses of congenital disorders, and temporomandibular joint disorders.

The premium rating for small employers is based on an adjusted community rate for the experience of all covered small employers, with annual rate adjustments for each group allowed to vary by up to plus or minus 4 percentage points from the overall group. Variations greater than 4 percentage points are subject to the approval of the Insurance Commissioner.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The Commissioner has 60 days to deny the rate variation, and he must provide a detailed actuarial justification within 30 days of the denial.

Summary of Bill: The premium assistance available for the SEHIP program may be provided for any available health benefit plan offered by a small employer, including a high deductible health plan with a health savings account.

Insurance carriers may offer products for small groups that may expand exclusions to include: diabetes treatment and education, dependent children that become incapacitated, dependents at birth, adopted children, prostate cancer screening, conversion policies, services of a dentist, access to every category of provider except to offer it as an option for each group, emergency services, maternity services, direct access to chiropractors and women's health care services, general anesthesia for dental procedures, and coverage for long term care following hospitalization.

The premium rating requirements for small employers are modified to allow health savings accounts to be separate from the pooled experience of all other small employer products, and to allow annual rate adjustments for each group to vary by up to plus or minus 8 percentage points from the overall group. Variations greater than 8 percentage points are subject to review by the Commissioner. If the Commissioner has not denied the rate variation in 30 days, it is approved. If the Commissioner does deny the rate variation he must provide a detailed actuarial justification for the denial at the same time.

Appropriation: None.

Fiscal Note: Requested on February 12, 2007.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: This bill reflects the same changes we adopted on the Senate floor last year in the small employer assistance bill (SEHIP). Insurance reforms were discussed with the Blue Ribbon Commission (BRC) but were not included in the BRC bill, and this captures the concepts for discussion. This provides insurance carriers additional flexibility to allow for innovation, creates the flexibility that will allow SEHIP to be successful, and allows the creation of a more affordable choice for small employers. It allows the carriers to offer one option free of mandates, while still offering the comprehensive products.

CON: This allows the SEHIP program to provide public subsidy for any plan, including those with benefits less rich than Basic Health. Changing the mandates changes how we all share risk, which will negatively impact some. Don't erode the SEHIP program. The slimmed down benefits packages don't provide the coverage people need. The "every category of provider" requirement is not a mandated benefit according to the Supreme Court, and it should not be included in this list. Maintaining access to all types of providers allows less costly care to be accessed, and should remain a choice of the insured person.

Persons Testifying: PRO: Senator Parlette, prime sponsor; Sydney Zvara, Association of Washington Health Care Plans; Nancee Wildermuth, Regence, Aetna, PacifiCare; Mel

Sorenson, Washington Association of Health Underwriters and America's Health Insurance Plans; Gary Smith, Independent Business Association; Carolyn Logue, National Federation of Independent Businesses; Mark Johnson, Washington Retail Association; Mellani MacAleenan, Association of Washington Businesses; Paul Guppy, Washington Policy Center.

CON: Bill Daley, Washington Communities Action Network; Stephanie Jekel, Java Flow Coffee House; Kent Davis, law firm technology, small businessperson; Dick Meyer, Traditions Fair Trade; Lori Bielinski, Washington State Chiropractors Association; Laura Thelander, American Diabetes Association; Albert Stern, Washington Acupuncture and Oriental Medicine Association; Terry Kohl, Washington Association of Naturopathic Physicians; Dr. Douglas Lewis, Washington Association of Naturopathic Physicians.